

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-08 COME-00 TRSE-00 OMB-01 ACDA-07  
MCE-00 /075 W  
-----095272 290819Z /21

R 261430Z AUG 77  
FM AMEMBASSY OSLO  
TO AFCMD DET 3 F-16 CASEUR BRUSSELS BE  
INFO SECSTATE WASHDC 4290  
SECDEF WASHDC  
JCS WASHDC  
DSAA WASHDC  
ISA WASHDC  
USCINCEUR VAIHINGEN GE

C O N F I D E N T I A L OSLO 3866

E.O. 11652: GDS  
TAGS: MARP, MASS, NO  
SUBJ: F-16 THIRD COUNTRY CO-PRODUCTION

REF: (A) CASEUR MSG DTD 050927Z AUG 77, (B) OSAF MSG DTG 241530Z  
JUN 77

1. NORWEGIAN REACTION TO OUTSIDE (EPG) CO-PRODUCTION OF F-16 AIRCRAFT WOULD, IN EFFECT, BE AN AMALGAM OF STRONG NORWEGIAN VIEWS (AND STATUTORY RESTRICTIONS) ON THE ARMS TRADE AND THE ECONOMIC/TRADE/EMPLOYMENT ASPECTS OF SUCH FUTURE PRODUCTION AND THE SALES ARISING FROM IT.
2. THE RESTRICTIONS ON ARMS SALES INCLUDE TWO LONGSTANDING PARLIAMENTARY RESOLUTIONS DISCOURAGING ARMS SALES TO BELLIGERANTS. THESE RESOLUTIONS, WHILE LACKING THE FORCE OF LAW, DO SERVE AS FIRM GUIDELINES TO NORWEGIAN POLICYMAKERS.

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3. IN ADDITION, NORWEGIAN LAW DOES SUBJECT ARMS EXPORTS TO LICENSING BY THE MINISTRY OF SHIPPING AND COMMERCE. IN PRACTICE, EXPORT LICENSE DECISIONS ARE MADE BY A CASE-BY-CASE BASIS AFTER CONSULTATIONS WITH THE MINISTRY OF FOREIGN AFFAIRS AND DEFENSE.
4. GON OFFICIALS HAVE ALREADY BEGUN TO SPECULATE ON

THE COMPATABILITY OF THEIR EXISTING ARMS EXPORT POLICIES WITH FUTURE THIRD COUNTRY SALES OF F-16 AIRCRAFT. THERE WOULD CLEARLY BE PROBLEMS WITH SALES (AND PRODUCTION COOPERATION) WITH COUNTRIES THAT ARE BELLIGERENTS OR POTENTIAL BELLIGERENTS AS WELL AS WITH COUNTRIES WHOSE POLITICAL INSTITUTIONS ARE DISTASTEFUL TO THE NORWEGIAN PUBLIC. THE GON COULD EXPECT OPPOSITION TO SUCH SALES FROM GROUPS ON THE FAR LEFT WHO OPPOSE NORWAY'S SECURITY POLICY AND FROM DIVERSE GROUPS THAT, FOR MORAL REASONS, DO NOT WANT TO SEE NORWAY BECOME AN ARMS MERCHANT. THE LEFT WING OF THE LABOR PARTY (THE NATION'S LARGEST) WOULD PROBABLY OPPOSE THIRD COUNTRY SALES. THERE COULD ALSO BE OPPOSITION FROM THE CHRISTIAN PEOPLES PARTY (ONE OF THE THREE MAJOR PARTIES OPPOSING LABOR), IN THE EVENT OF F-16 SALES TO NON-NATO COUNTRIES.

5. OPPOSING THESE FACTIONS WE COULD EXPECT TO FIND THOSE WHO WOULD VIEW F-16 SALES IN TERMS OF JOBS AND EXPORT EARNINGS. THE MAIN WING OF THE LABOR PARTY AND ITS PRINCIPAL OPPONENT, THE CONSERVATIVE PARTY ARE BOTH COMMITTED TO A DIVERSIFIED, EXPANDING ECONOMY AND TO MAINTAINING FULL EMPLOYMENT. THEY ARE VERY MUCH CONCERNED WITH NORWAY'S CURRENT BALANCE OF PAYMENTS PROBLEMS AND THE LOW LEVELS OF NON-PETROLEUM EXPORTS.

6. FOR THE FORESEEABLE FUTURE, THOSE WHO FAVOR F-16  
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SALES WILL PROBABLY BE IN THE MAJORITY. THE OPPOSITION, HOWEVER, IS VOCAL ENOUGH TO SOMEWHAT RESTRICT GOVERNMENTAL FLEXIBILITY IN DEALING WITH SUCH SALES.

7. ACCORDINGLY, NORWAY'S DECISION ON F-16 SALES OR CO-PRODUCTION WILL BE INFLUENCED BY BROAD ECONOMIC AND POLITICAL CONSIDERATION AS WELL AS BY THE MORE NARROW QUESTIONS ARISING FROM INDIVIDUAL PROPOSALS. THESE LATTER CONSIDERATIONS WILL INCLUDE THE ECONOMIC QUESTION OF NORWAY'S SHARE OF THE CO-PRODUCTION REVENUES AS WELL AS THE POLITICAL QUESTION OF THE MANNER IN WHICH THE CO-PRODUCTION PROPOSALS ARE PRESENTED TO THE GON (SEE PARA 9 AND 10 BELOW). FINALLY, A GON CO-PRODUCTION DECISION WOULD TAKE INTO ACCOUNT SUCH SPECIFICS AS THE COMPONENTS TO BE PRODUCED BY NORWAY, BY THE OTHER CURRENT PRODUCERS AND BY COUNTRY. THE GON WOULD, OF COURSE, BE RELUCTANT TO SEE COUNTRY X INITIATE PRODUCTION OF COMPONENTS, SUCH AS ELECTRONICS, THAT ARE NOW PRODUCED IN NORWAY.

8. TO ANSWER THE SPECIFIC QUESTION POSED BY REF A, WE CONCLUDE THAT OPTION B (15 PERCENT CO-PRODUCTION OF TOTAL PROCUREMENT VALUE PLUS SOME CO-PRODUCTION WITHIN AN

ADDITIONAL COUNTRY) IS THE MOST GENEROUS AND THEREFORE THE MOST PALATABLE LOCALLY. IT WOULD GIVE AN EPG COUNTRY THE SAME AMOUNT OF CO-PRODUCTION RETURN AS THEY WOULD RECEIVE FROM AN OUTRIGHT SALE. A LESSER OFFER COULD BE DETRIMENTAL TO THE SPIRIT OF COOPERATION WE HOPE TO MAINTAIN.

9. IT WOULD SEEM VERY DESIRABLE FROM A PRACTICAL AS WELL AS A PR POINT OF VIEW TO HAVE THE EPG COUNTRIES GET A SENSE OF INVOLVEMENT IN PLANNED THIRD COUNTRY SALES OR CO-PRODUCTION BEFORE FINAL DECISIONS ARE MADE SO THAT THEY COULD FEEL THEIR PARTICULAR INTERESTS WERE BEING PROTECTED. SUCH PARTICIPATION WOULD ALSO SERVE TO TAKE SOME OF THE PRESSURE OFF THE USBM

10. WE THINK THE PROCEDURE OUTLINED IN REF B WHEREBY EACH  
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PROPOSED THIRD COUNTRY SALE OR CO-PRODUCTION POSSIBILITY IS EXAMINED BY THE STEERING COMMITTEE MEMBERS IS A GOOD ONE. IN THE CASE OF NORWAY, CLOSE CONSULTATIONS ARE ESSENTIAL.

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009